



# Iowa General Assembly

## 2009 Committee Briefings

Legislative Services Agency – Legal Services Division

<http://www.legis.state.ia.us/aspx/Committees/Committee.aspx?id=489>

### SCHOOL FINANCE FORMULA REVIEW COMMITTEE

**Meeting Dates:** [October 5, 2009](#)

**Purpose.** *This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at <http://www.legis.state.ia.us/>, or from the agency connected with the meeting or topic described.*

### SCHOOL FINANCE FORMULA REVIEW COMMITTEE

October 5, 2009

**Co-chairperson:** Senator Brian Schoenjahn

**Co-chairperson:** Representative Roger Wendt

**Overview of School Finance Formula.** Mr. Jim Addy, Administrator of the Division of School Information and Support, Department of Education, and Mr. Shawn Snyder, Fiscal Services Division, Legislative Services Agency, provided the Committee with a comprehensive overview of the basic structure of Iowa's education finance formula. The overview included basic funding mechanisms, the budget guarantee process, Area Education Agency funding, allowable growth, and revenue sources. Mr. Addy also discussed the boost, or backfilling, of funding that the federal stimulus dollars have provided for FY 2009-2010, and called the lack of repeat federal funding for future fiscal years a "funding cliff" that the state will have to face.

**Categorical Allowable Growth Overview.** Mr. Snyder explained the legislative processes that created the state categorical supplement school aid funding and categorical allowable growth. The categorical items are educational excellence, early intervention/class size reduction, and student achievement teacher quality.

**Comparison With Other States—Future.** Mr. John Myers, APA Consulting, Denver, Colorado, evaluated Iowa's school finance formula against the finance formulas of other states. Mr. Myers identified two components that drive the finance formula of every state system: spending needs and the revenues to pay for the spending needs. Mr. Myers presented 10 factors that help determine a good school finance formula. Mr. Myers stated that the best attribute of Iowa's formula system is the balance between local control over how money is spent and state assistance in providing revenue. Mr. Myers discussed how Iowa should approach the next five years, emphasizing the need to anticipate the lack of funding after the federal stimulus money is no longer available. Mr. Myers also suggested that new weighted student formulas that allow targeted spending to high-need students and schools and new teacher pay systems may be necessary areas of change in the future.

**Evaluating Property Tax Issues.** Mr. Snyder presented a comprehensive review of all the ways that property taxes and levies are used to fund the school finance formula and individual school districts—in addition to state aid dollars. Mr. Snyder provided a brief history of school aid formula property tax relief and a breakdown of the property tax levies used to fund the combined district cost: the uniform levy and the additional levy. Mr. Snyder covered other funding options including levies, bonds and debt service, and cash reserves. Mr. Snyder explained the funding issues confronting the Legislature in attempting to use state aid dollars to equalize property taxes due to property tax valuation differences between districts. Finally, Mr. Snyder explained the state sales and use tax for school infrastructure and how the excess from that program may be used for property tax relief.

**School District Budget Issues.** Ms. Lisa Oakley, Department of Management, and Ms. Su McCurdy, Department of Education, defined ending balances, cash reserves, and deficit spending as they pertain to school districts. They discussed school districts' spending authority versus school districts' cash balances and the tools available to school districts to access additional funds when needed and the ability of school districts to set aside some funds for future expenses. Ms. McCurdy explained the role of the School Budget Review Committee (SBRC) in assisting schools that

have expenditures beyond their revenues and also that the SBRC serves only an advisory role for those school districts that have negative fund balances.

**Discussion.** The Committee members briefly discussed the topics they believed were the most significant for use in the formulation of potential recommendations by the Committee prior to the convening of the 2010 Legislative Session.

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